

# Advanced reading list



INTELLIGENT  
INVESTOR  
ANALYSIS & ADVICE

## A letter from the team

Dear Member,

Our two recommended reading lists, available in the Tools section of the Special Reports area of our website, were so well received we decided to do a third. But with a difference.

With a few notable exceptions—the psychology book *Influence: Science and Practice* by Robert Cialdini being the best example—the previous titles focused on investing and business. But there's a paradox here: The best investors tend to read widely. We'd argue that a broad knowledge of many subjects is actually more useful than a deep but narrow understanding of one, although obviously getting both is better still.

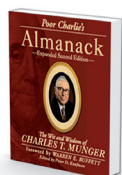
Charlie Munger, Warren Buffett's business partner, suggests that in order to excel in a particular field, one should adopt a multidisciplinary approach to learning. What does that mean? That the building blocks of the 'hard' sciences have wonderful applications in softer environments; that understanding how your brain is hardwired will help ensure it doesn't lead you astray. There are some fundamental principles from a variety of disciplines that, once grasped, stand you in good stead for almost any endeavour.

Nowhere is this more true than in investing, where fundamental truths, group and individual psychology, and the peculiarities of finance, accounting and economics crash into each other like waves in a storm.

Here, then, are a few books not necessarily about investing that should make you a better investor. Many of these titles won't be available at your local bookstore so be prepared to shop online. If you're reading this on your computer, click on the image of each book to go to amazon.com.

Kind regards,  
The team at Intelligent Investor

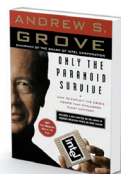
### 1. Poor Charlie's Almanack



By Peter Kaufman

This book begins with a description of Charlie Munger's approach to life and finishes with ten of his speeches at various universities and functions over the years.

With titles such as 'Practical thought about practical thought', 'A lesson on elementary, worldly wisdom'

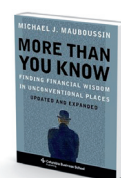


and 'The psychology of human misjudgement', these speeches are jam packed with wisdom. There are many useful ideas in this book, best summed up by the Munger quote: 'I think it's a huge mistake not to absorb elementary worldly wisdom if you're capable of doing it because it makes you better able to serve others, it makes you better able to serve yourself and it makes life more fun'.

If you enjoy this book, we also recommend *Seeking Wisdom—From Darwin to Munger* by Peter Bevelin. It covers similar ground, albeit from a different angle. It's probably the equal of Poor Charlie's Almanack, but we didn't have room for two colour photographs.

### 2. More than you know—Finding financial wisdom in unconventional places

By Michael Mauboussin



Munger likes to give the crowd an idea and then let individuals figure it out for themselves. Mauboussin, chief investment strategist at Legg Mason, has dived into a bunch of subjects and done exactly that.

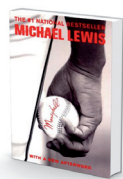
For a sample of his work, head to his research papers at [www.leggmason.com/funds/knowledge/mauboussin/mauboussin.asp](http://www.leggmason.com/funds/knowledge/mauboussin/mauboussin.asp) If you like what you find, buy this book.

### 3. Only the Paranoid Survive

By Andrew Grove

Warren Buffett often talks about the concept of a business moat. For some lucky businesses, such as the Australian Stock Exchange or Coca-Cola, this is an inherent thing. Andy Grove shows what it took to turn a company without big natural advantages into a winner by reliving his time at Intel. Paranoia played a big part in keeping it there. His concept of strategic inflection points alone more than justifies this short and satisfying read.

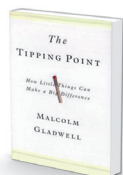
#### 4. Moneyball



By Michael Lewis

We've reviewed this book in our cover story of 5 Oct 07, The Superinvestors of Oakland Athletics. In short, it's about a management team who brought contrarian, statistical-based thinking to the world of baseball, and greatly improved its team's fortunes as a result.

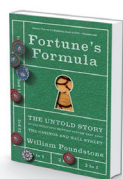
#### 5. The Tipping Point—How little things can make a big difference



By Malcolm Gladwell

In the last few years, the term 'tipping point' has become almost as overused as 'perfect storm'. But the concept has great merit and this is the book most responsible for putting it in the lexicon. Effort and results rarely have a linear relationship, and this book explains why—making it very useful for those wanting to understand how businesses tick.

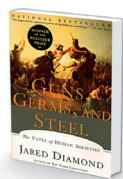
#### 6. Fortune's Formula—The untold story of the scientific betting system that beat the casinos and Wall Street



By William Poundstone

This book starts with advances in information theory and applied mathematics in the 1950s, and then travels to nascent Reno and Las Vegas, where the lessons were applied to successfully clean up on the blackjack table. The key concept in this book is the Kelly criterion, a formula to help guide your decision on how much to bet when you have an edge over the house.

#### 7. Guns, Germs and Steel



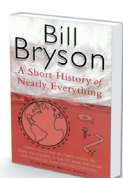
By Jared Diamond

Diamond conclusively answers one of humanity's more controversial puzzles: why did the people of Eurasia, a backwater for most of history, go on to colonise other nations and peoples so completely.

Unsatisfied with mostly inaccurate, often racist, theories before it, Diamond used multidisciplinary thinking to prove that it's an accident of geography, demography and ecology and nothing to do with genetics.

The lessons on offer, and Diamond's deduction process, are great examples of what Munger terms a lollapalooza effect—several strong influences coming together in the same direction. We also enjoyed Diamond's *Collapse*, which focuses on failed societies throughout history. No offence, but we hope he won't be around to write a post-mortem on the next failed society.

#### 8. A Short History of Nearly Everything

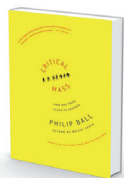


By Bill Bryson

Science is a vitally important part of any multidisciplinary arsenal. But rather than dive head first into physics textbooks, we recommend this wonderful book that covers the great discoveries of science and the people involved. A recent *Financial Times* article

called this 'the best science book of the 21st century so far', and you don't need to be a scientist to understand it.

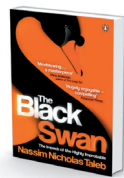
#### 9. Critical Mass—How one thing leads to another



By Philip Ball

One of the key points from Mauboussin's *More than you know* is the inherent advantages the crowd has over the individual. As value investors, we need to think apart from the crowd. But it's not right to think that we'll succeed just by getting an edge over the average investor. The group, for a variety of reasons, behaves more intelligently than almost all of individual participants offering input, and certainly wiser than the average punter. *Critical mass* explores this concept.

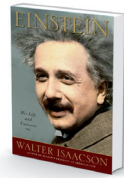
#### 10. The Black Swan—The impact of the highly improbable



By Nassim Taleb

Taleb's second book follows on from *Fooled by randomness*, which we reviewed in the cover story of 13 Sep 06. The second book is even better. Taleb's writing style can be a little annoying but the black swan concept is tremendously useful, especially for those of us who learn more convincingly through analogy. We plan for the expected and get done in by the unexpected. This book will change your thoughts on risk management.

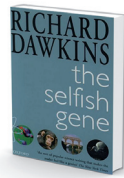
#### 11. Einstein: His life and Universe



By Walter Isaacson

Like Charles Darwin, it was as much his sense of discovery and application as his brainpower that allowed Albert Einstein to achieve so much. Self-criticism, and paying special attention to results that conflict with your first conclusion, are also trademarks of the greatest investors. This is a fascinating book covering a lot of ground.

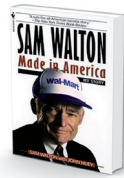
#### 12. The Selfish Gene



By Richard Dawkins

Our managing director claims this book changed his thinking on many aspects of human nature. Dawkins suggests it's a misconception to think of evolution acting on the individual. Evolution acts at the gene level, and that has some important consequences. An Amazon review we read, which quotes Dawkins, hits the nail on the head: 'If we are puppets, at least we can try to understand our strings'.

#### 13. Sam Walton—Made in America



By Sam Walton and John Huey

OK, so we couldn't resist squeezing in one more business book. Sam Walton, in the second half of one normal lifetime, built the most successful retailer ever—Wal-Mart. This book shows that building a business isn't just about numbers. Walton's empathy with his staff, and his willingness to do things differently, were at least as important.